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FUNDING SCHOOLS AND COLLEGES TO REACH EDUCATIONAL GOALS

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SREB

Southern Regional Education Board

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FOREWORD

States should strive for national, and increasingly international, standards in education. There is wide agreement among state leaders about this. All Southern Regional Education Board states have implemented educational reforms and new standards. The long-term results of these changes will determine whether there is a better future, with improved standards of living, for the citizens of this region.

But what results are expected from the new educational standards and programs?

- Have state leaders shaped the educational reforms into a vision of what they expect to accomplish?

- Do educators and government officials have ways of knowing whether they are supporting them adequately?

States that set educational goals will need to know what actions or results—what indicators of progress—will signal to citizens, educators, and government leaders that they are moving toward or reaching those goals. This report is one in a series presenting information about the "indicators of progress" for each goal in SREB's report, *Goals for Education: Challenge 2000.* The first group also includes reports that deal with school readiness and preparing students for college. Reports looking at other goals and related indicators will appear in the future.

SREB has suggested 12 goals and specific "indicators of progress" for each. These are not the only important goals or indicators. As priorities differ, so will goals and indicators. Each of the three reports in the current series provides information on issues related to a specific goal and the set of indicators to track progress.

In this particular report information is presented that pertains to the goal of maintaining or increasing the proportion of state tax dollars for schools and colleges while emphasizing funding aimed at raising quality and productivity.

Funding for schools and colleges accounts for more than half of the state tax dollars spent in the region and the nation. Since the early 1980s most SREB states have been trying to do more in education. They are tackling stubborn problems, such as too many school dropouts—a situation which has improved little in the last two decades.

Compared to a few years ago, local schools are likely to be getting a larger share of their support from the state. Colleges are likely to be getting more of their dollars from students. And, both schools and colleges are likely to be getting less from the federal government. New state dollars are going for salaries and for programs to address specific problems. What these and other trends mean is that states which set and reach educational goals will probably be states with long-term funding plans.

Winfred L. Godwin, President
Southern Regional Education Board

BY THE YEAR 2000—

States will* maintain *or* increase *the proportion of state tax dollars for schools and colleges while emphasizing funding aimed at raising quality and productivity.

Goals for Education
CHALLENGE 2000

Indicators of progress toward maintaining or increasing the proportion of state funding for schools and colleges while emphasizing funding aimed at raising quality and productivity include—

- Providing annual financial statements to governors, legislators, and citizens on the state's success in implementing funding plans for education (statements should include "constant dollar" and percentage measures that communicate clearly);
- Agreeing at the state level on funding plans for schools and colleges that emphasize raising quality and productivity (for example, state, campus, and district leaders could earmark a specified budget percentage for special incentive awards for quality improvement);
- Evaluating the effectiveness of selected school and collegiate programs and linking the results to funding decisions;
- Establishing a state competitive grant process that assigns dollars where they will have the biggest impact on promoting specific initiatives (for example, university basic and applied research, effective school remediation programs, and dropout prevention programs).

What does it mean to have a commitment to education? For students, parents, educators, and government officials, commitment means time—time devoted to each one's role in education. Commitment also means emphasis, particularly for leaders. What leaders emphasize by words and actions can become important to everyone. But the commitment that cuts to the heart of the words and good intentions is the commitment of dollars. If the words are not reflected in how dollars are spent, the commitment to education will bring few long-term results.

Two very basic facts are important in judging a state's financial commitment to improving education. First, of the many new educational improvement efforts underway, almost all are *additions* to existing state efforts. With new educational programs added to existing ones, states are attempting to do more. Second, SREB states now trail the nation in several measures of financial investment in education. Therefore, it is difficult to imagine that in the next several years a state committed to educational improvement could spend a *smaller* share of its budget for education. Simply stated, given economic realities, states cannot spend proportionately *less* to do *more* in education.

If it is reasonable to assume that states committed to improving education cannot spend comparatively less to do more, how should that commitment be measured? Few states now systematically calculate and publicize the percentage of state tax dollars appropriated for education. Even fewer states prepare an annual financial report on education for citizens—a report, that is, which describes in a consistent style from year to year the appropriations and spending for education. If reports on spending for education are prepared only for "public relations" purposes or are inconsistent from year to year, they will not present an accurate assessment of the state's commitment to education.

Similarly the information presented may be insufficient to convey what the public needs to know about an important topic. Teachers' salaries are perhaps the best example. The public is likely to hear or read only about an "average" teacher salary for the entire state and how that average salary ranks among the 50 states. When beginning salaries are a political issue, the state minimum beginning teacher salary may receive attention. Generally, however, the public, and prospective teachers, may have very little information about

salaries and benefits for beginning teachers and for teachers with 5 years or 10 years of teaching experience; the state's contribution to teacher salaries and the local district's supplement to those salaries, if any; or the salary schedule and the fact that it may "top out" after 12 years (meaning that by age 35, most teachers could be at the top of the pay scale with raises coming only from across-the-board increases).

Educational leaders and government officials assume that the more the public knows about an important issue, in this case teachers' salaries, the more likely citizens will be to support a program that is adequate.

An annual financial statement on funding for education, therefore, should be a part of a state's budgeting process. Education's relative share of the state budget should be known throughout the process in which the budget is debated and decided. Calling attention to education's present and proposed share of the state budget would not create a new, sophisticated budgeting technique. However, this would require citizens and elected leaders to make and defend decisions about education as a state financial priority.

A proposed format for an annual "State Report on Funding for Education" follows. A report in this or a similar format could become a respected statement that would focus public attention on education.

State Report on Funding for Education

An Annual Report to Citizens from the Governor and/or State Legislature

$ _____ Total State General Tax Funds Appropriated (current fiscal year)

$ _____ State General Tax Funds Appropriated for Kindergarten through Grade 12 (current fiscal year)

_____ % Percent of State General Tax Funds Appropriated for Kindergarten through Grade 12 (current fiscal year)

$ _____ State General Tax Funds Appropriated for Kindergarten through Grade 12 (upcoming fiscal year)

_____ % Percent of State General Tax Funds Appropriated for Kindergarten through Grade 12 (upcoming fiscal year)

_____ Enrollment in Kindergarten through Grade 12 (current year)

_____ % Estimated percent change in enrollment, Kindergarten through Grade 12 (upcoming year)

$ _____ State General Tax Funds Appropriated for Postsecondary Education (current fiscal year)

_____ % Percent of State General Tax Funds Appropriated for Postsecondary Education (current fiscal year)

$ _____ State General Tax Funds Appropriated for Postsecondary Education (upcoming fiscal year)

_____ % Percent of State General Tax Funds Appropriated for Postsecondary Education (upcoming fiscal year)

_____ Enrollment in Postsecondary Education (current year)

_____ % Estimated percent change in Enrollment in Postsecondary Education (upcoming year)

Percent of Revenues for Kindergarten through Grade 12 from state, local, and federal sources as reported to the U.S. Department of Education for the three most recent years on which information is available.

Year	State	Local	Federal
19 ____	_____ %	_____ %	_____ %
19 ____	_____	_____	_____
19 ____	_____	_____	_____

Percent of Revenues for Postsecondary Education from various sources for the three most recent years on which information is reported to the U.S. Department of Education. Tuition and fees, state (and local) appropriations, and government contracts and grants may be among the sources included.

	Tuition and Fees	Appropriations		Government Grants
Year		State	Local	and Contracts
19 ____	_____ %	_____ %	_____ %	_____ %
19 ____	_____	_____	_____	_____
19 ____	_____	_____	_____	_____

Funding for Special Initatives

Dollars are increasingly being earmarked in the state budget for special initiatives, many of which are efforts to address long-term problems that require long-term commitments. Sometimes these initiatives seem sporadic or decided on an *ad hoc* basis. The annual financial report to citizens on funding for education should track these initiatives and thereby stress the importance of staying the course on planned, long-term programs.

The information in this proposed financial report on education is, or could be, available. With the emphasis on ***annual comparisons within the state***, it is not necessary that states solve the problems of making the information comparable among states.

Financial information relating to revenues for elementary, secondary, and postsecondary education is compiled by regional and national organizations from data reported by state agencies. Tables 1 and 2 illustrate some of the information currently available.

States, of course, are in the best position to apply a consistent measure to their financial commitment to education. The apparent wide variation among states in the percentage of state tax dollars going for public schools reflects in part different arrangements among state and local

Table 1
SOURCES OF REVENUES FOR PUBLIC ELEMENTARY AND SECONDARY SCHOOLS, FISCAL YEAR 1987

	Percentage Distribution Within the State		
	State Funds	Local Funds	Federal Funds
Alabama	66.3	21.4	11.7
Arkansas	54.8	33.5	11.5
Florida	54.2	38.6	7.2
Georgia	59.7	33.2	7.1
Kentucky	64.5	23.8	11.6
Louisiana	55.1	33.4	11.5
Maryland	38.5	56.4	5.1
Mississippi	65.2	24.3	10.5
North Carolina	66.0	26.0	7.9
Oklahoma	63.5	28.1	5.6
South Carolina	56.0	34.0	8.9
Tennessee	44.5	44.4	11.1
Texas	47.1	45.5	7.1
Virginia	47.2	46.9	5.9
West Virginia	69.8	22.6	7.5

NOTE: State percentages may not add to 100 percent due to rounding and to exclusion of funds from "intermediate" sources (generally special grants which may be from a variety of sources), which accounted for 0.6 percent in Alabama, 0.2 percent in Arkansas, 2.8 percent in Oklahoma, 1.2 percent in South Carolina, and 0.3 percent in Texas.

SOURCES: U.S. Department of Education, National Center for Education Statistics, special tabulation from the Common Core of Data, 1986-87, final tabulations, and Virginia Department of Education.

governments. For example, Maryland, with the highest per capita income among the SREB states, spends the smallest share of state tax dollars for elementary-secondary education. It is also the only SREB state in which local taxes provide for more than one-half of school funds. Mississippi and West Virginia, with the lowest per capita incomes in the region, are near the top in the percentages of state tax dollars going to elementary-secondary education. Local taxes in these states account for comparatively few dollars for education.

These differences in state and local funding arrangements, combined with the widely varying distribution of wealth among local school districts, continue as a major education funding problem. In the 1980s, legal challenges claiming that state funding arrangements for education are inequitable have been lodged in most SREB states. To date there is little evidence in any state that this problem has been "solved." Underlying SREB's *Goals for Education* is the assertion that educational disparities must be reduced if states are to significantly improve educational levels and economic well-being. Equitable funding for schools is a part of the solution for educational disparities, but states are likely to find an evolving solution, not a final solution, for this problem. Governors and legislators are faced with balancing the equitable funding issues and the overall emphasis on improving both schools and colleges.

CURRENT FACTS ABOUT FUNDING FOR SCHOOLS AND COLLEGES

One fact about school funding is true for all SREB states (and for every state except Alaska):

Federal funds make up a smaller part of school budgets now than at the beginning of the 1980s.

Nationally the decline has resulted in a drop of about one-third (from 9.3 percent federal funds in 1980 to 6.4 percent). In several SREB states—Georgia, Mississippi, Oklahoma, South Carolina, and Virginia—the decline has dropped the level of federal funding to about one-half of the 1980 percentage.

A related fact on school funding is true for most SREB states:

Schools depend more on state funds now than in 1980.

The decline in federal funds for the schools has usually not been offset by increased local tax dollars. Since 1980, the percentage of funds from local sources has decreased, or increased by less than one percentage point, in half of the SREB states. As a result, state dollars account for a larger share of school budgets in three-fourths of the SREB states.

Table 2
STATE APPROPRIATIONS FOR HIGHER EDUCATION AS A PERCENT OF STATE TAXES

	1980	1981	1982	1983	1984	1985	1986	1987
United States	14.0	14.0	14.1	14.1	13.1	13.2	13.4	13.1
SREB States	16.0	15.9	16.6	17.0	16.3	15.7	16.0	15.6
Alabama	20.3	19.9	17.2	17.4	15.2	17.2	21.1	17.3
Arkansas	14.6	15.8	14.6	14.8	12.8	14.3	16.4	14.5
Florida	13.5	13.3	14.4	14.6	13.1	12.3	12.4	13.0
Georgia	14.1	14.3	15.2	14.9	14.2	13.5	13.6	13.4
Kentucky	14.0	13.5	13.6	14.1	14.3	13.5	13.5	13.0
Louisiana	13.8	14.2	14.5	16.5	16.0	14.4	14.9	15.7
Maryland	11.7	12.4	12.1	12.5	11.2	11.3	11.4	11.0
Mississippi	18.6	18.7	20.6	19.3	19.9	18.9	19.5	16.8
North Carolina	18.0	19.3	20.0	19.7	18.7	18.5	19.3	18.8
Oklahoma	12.9	12.1	12.0	14.6	14.6	12.3	14.4	14.4
South Carolina	19.1	18.9	18.4	17.1	16.5	16.5	17.3	16.5
Tennessee	16.9	17.3	16.6	16.7	16.1	16.5	16.8	16.9
Texas	19.5	17.9	20.9	22.6	23.2	20.5	19.8	19.1
Virginia	16.2	16.8	16.8	16.6	15.2	16.0	15.9	16.3
West Virginia	13.0	13.4	13.1	13.1	11.6	11.9	12.6	13.2

NOTE: The amounts include funds for health programs, state scholarship and other financial aid programs, higher education coordinating or governing boards, and funds for private higher education students and institutions. The amounts reported exclude dollars for capital outlay and debt service.

SOURCES: M.M. Chambers and Edward R. Hines, *Appropriations of State Tax Funds for Operating Expenses of Higher Education* and U.S. Bureau of the Census, *State Government Finances*, annual reports.

For higher education funding several facts are true for the majority of SREB states:

State appropriations account for nearly one-half of higher education funds, but the share of higher education's budget coming from state tax funds has been declining in the 1980s.

In a majority of the SREB states the percentage of the state budget appropriated for higher education also has been declining in the 1980s. Based on published reports and legislative actions in 1988 and 1989:

It appears that every SREB state is now spending a smaller share of its budget for higher education than earlier in the 1980s.

Tuition and fees have been increasing more rapidly than have the consumer price index and state appropriations. Therefore:

In most SREB states students are now paying a larger share of the higher education budget than in 1980.

These trends and sluggish state economies (six SREB states were among the ten states with the highest unemployment at the beginning of 1989) have had particular impact on educational salaries. Nearly three-fourths of the dollars for education are for personnel. In general, teachers' salaries have fared better than faculty salaries in the 1980s, but in only a few states has the progress for either been dramatic (most notably Virginia).

States are attempting to do more in education and they face many stubborn problems on which little progress has been made (school dropouts and below-average college attendance being cases in point). This should be rationale enough to maintain or increase the proportion of state tax dollars for schools and colleges.

A NEW TREND IN FUTURE FUNDING FOR SCHOOLS AND COLLEGES

How much money is spent for education is important, but so is *how* the money is spent. It is unlikely that state officials will support exceptional funding increases for schools and colleges unless this funding is linked in convincing ways to specific efforts to raise quality and productivity.

Funding trends in higher education already show this. New dollars for higher education in the 1980s, other than those for faculty salary increases, have often been earmarked for specific purposes—primarily for centers of excellence, endowed chairs, targeted research, and instructional equipment. A similar trend is emerging for the schools. Teacher salary increases have accounted for much of the new funding for the schools. Most other new dollars have been allocated for teacher and school incentives, dropout prevention, and other specific efforts.

Too often there is no long-term plan for targeting funds for programs specially designed to solve specific problems or take advantage of unique opportunities. Legislators and governors tend to favor earmarking funds for specific programs, but the appropriations may be made on a sporadic or ad hoc basis. Long-term funding plans that emphasize raising quality and productivity are unique because there are so few.

For several years, including years when funding was at 100 percent of the formula amount, Georgia's governor and legislature have earmarked a sum equal to one percent of the University System budget for special quality improvement efforts.

The Tennessee Higher Education Performance Funding process began as a one percent budget incentive. Now, up to five percent of total state funding for higher education can be allocated based on performance measures.

The school and teacher incentive programs in Florida, North Carolina, South Carolina, Tennessee, and Texas reflect state funding plans that are based on multi-year plans. The Texas Advanced Research and Advanced Technology Programs allocate substantial funds, in competitive grants, for well defined areas. The programs provide significant incentives for Texas faculty and universities. Competitive grants awarded in the Texas programs are intended to assign dollars where they will have the greatest impact on promoting specific initiatives

States are attempting to do more to improve education. This is a compelling argument for educational funding. But the message from budget actions of the 1980s is that it may take programs aimed at solving special problems and capitalizing on opportunities, and more of them, to significantly increase the proportion of state tax dollars for schools and colleges.